



# Australian Bureau of Statistics

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### Feature Article - Real gross State domestic income

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### INTRODUCTION

Chain volume GDP is a measure of the volume of goods and services produced in Australia. If the terms of trade change significantly (i.e. the prices of Australia's exports and imports change at different rates), then this measure of GDP will not accurately reflect the change in real purchasing power of the income generated by domestic production. A better measure of the real purchasing power of income generated by domestic production is chain volume GDP adjusted for changes in the terms of trade, which is referred to as real gross domestic income (RGDI). (See the Technical Note included in the September quarter 1993 issue of this publication for a more detailed discussion.)

At present no comparable measure to RGDI is published for the States and Territories. This article presents a comparison of the growth rates of such estimates, called real gross state domestic income (RGSDI), with those of chain volume GSP, and describes how the estimates of RGSDI are derived.

### METHOD

To obtain an estimate of RGSDI, the following adjustment is made to the volume measures of GSP, prior to chaining:

- exports of goods and services at current prices are deflated by the implicit price deflator for imports of goods and services;
- the actual volume estimates of exports are then deducted from this value;
- the resultant terms of trade adjustment is then added to the volume measure of GSP, and
- the measures of RGSDI in the prices of the previous year are then chained to give chain estimates of RGSDI.

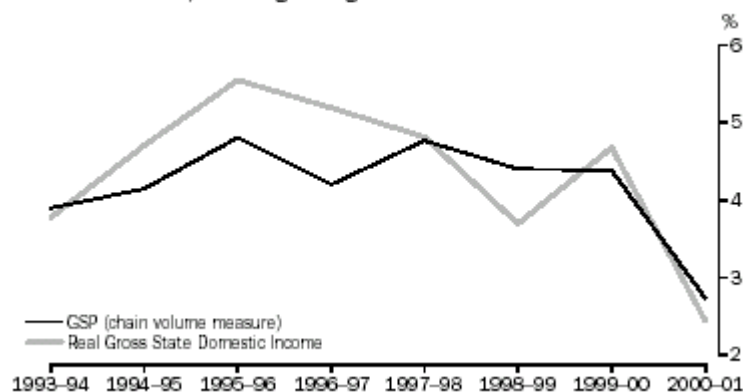
The estimates of exports and imports of goods and services used in these calculations include both international and interstate trade. The methods used to derive them are described in Chapter 28 of **Australian National Accounts: Concepts, Sources and Methods** (Cat. no. 5216.0). The international trade data are considered to be of reasonable quality and are published in **Australian National Accounts: State Accounts** (Cat. no. 5220.0). The interstate trade data are derived using a model, and are considered to be of poor quality. Fortunately, the major contribution to changes in the terms of trade of a State comes from its internationally traded goods, principally Australia's exports of primary goods and its importation of manufactured

goods (e.g. IT equipment). The contribution of interstate trade to changes in a State's terms of trade is relatively minor because the prices of goods and services exported and imported tend to change at a similar rate.

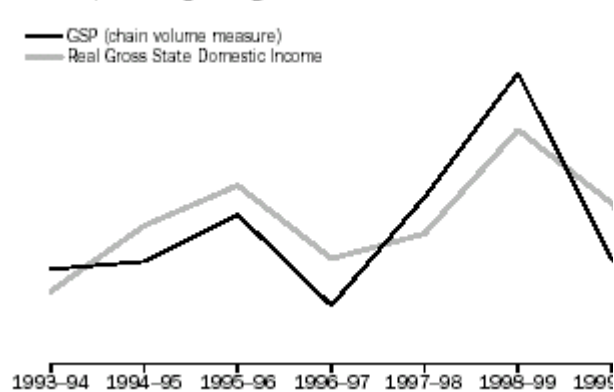
## COMPARISON TO GSP

The graphs below provide a comparison of annual movements in RGSDI and the chain volume measures of GSP. For most States for most years, the two measures show similar growth rates, but there are notable exceptions. The differences are due to the terms of trade effect, and the impact varies depending mostly upon the proportion of international trade in goods and services to GSP and changes in the relative prices of exports and imports.

NEW SOUTH WALES, Percentage changes



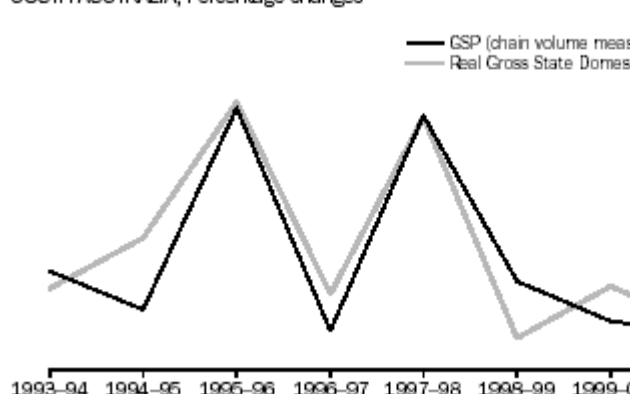
VICTORIA, Percentage changes



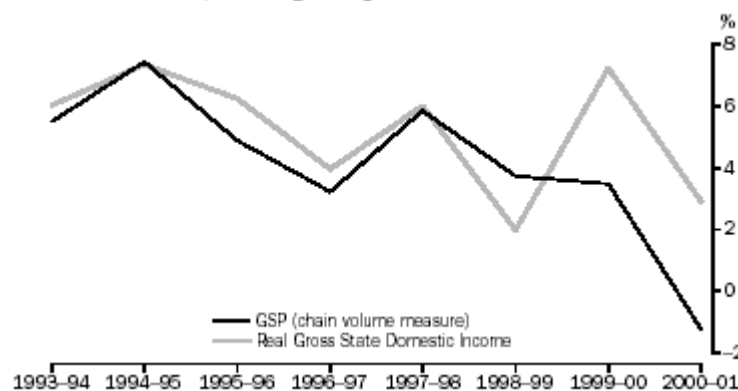
QUEENSLAND, Percentage changes



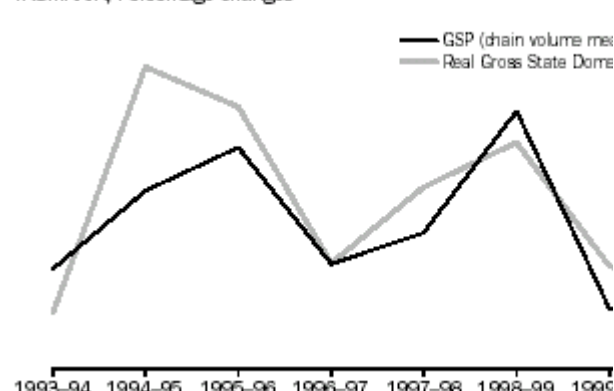
SOUTH AUSTRALIA, Percentage changes



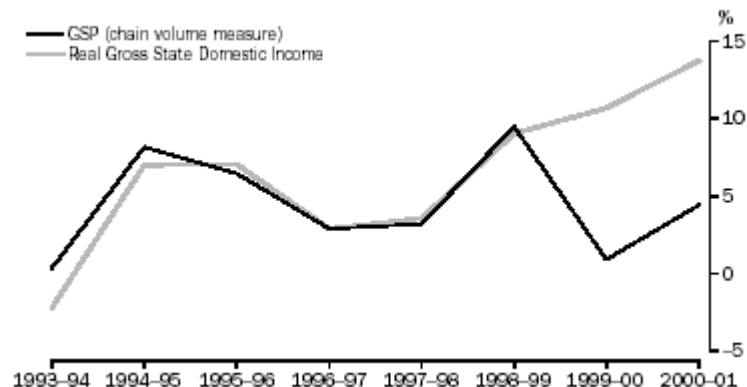
WESTERN AUSTRALIA, Percentage changes



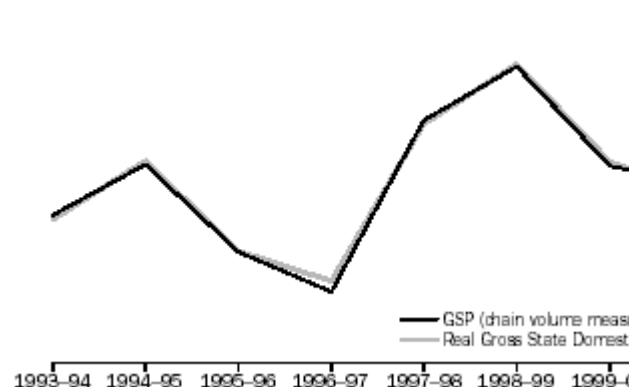
TASMANIA, Percentage changes



NORTHERN TERRITORY, Percentage changes



AUSTRALIAN CAPITAL TERRITORY, Percentage changes



## FUTURE RELEASE

Annual estimates of RGSDI will be presented in future issues of **Australian National Accounts: State Accounts** (Cat. no. 5220.0).

For further information on real gross state domestic income contact Patricia Mahony on 02 6252 6711.

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